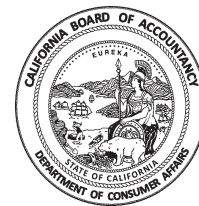


**CALIFORNIA BOARD OF ACCOUNTANCY**

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January 2009

Regulation Notice**TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY**

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (Board) is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Doubletree Hotel Los Angeles International Airport, 1985 East Grand Avenue, El Segundo, California 90245-5015, telephone (310) 322-0999, at 1:30 p.m. on March 20, 2009. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the Board at its office no later than 5:00 p.m. on March 18, 2009, or must be received by the Board at the hearing. The Board, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 462, 5010, and 5027 of the Business and Professions Code, and to implement, interpret or make specific Sections 462, 5026, 5027, 5028, and 5051 of said Code, the Board is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**1. Amend Section 80 of Title 16 of the California Code of Regulations.**

Current Section 80 allows licensees to place their license in an inactive status. Section 80 also outlines the requirements to renew an inactive license, including the required fee, and establishes the continuing education guidelines for licensees electing to convert their license to an active status.

The proposed action would further clarify the continuing education requirements for licensees electing to convert their license to an active status at the time of renewal. The objective of this proposal is to ensure that licensees re-entering public practice are equipped with technical expertise necessary to practice public accounting. In addition, this proposal would make minor wording changes to update and improve the clarity and consistency of the Board's continuing education regulations.

2. Add Section 81 to Title 16 of the California Code of Regulations.

Presently, the Board does not have continuing education requirements specific to licensees renewing a license from an expired status to an active status. Section 87 of Title 16 of the California Code of Regulations requires that licensees renewing a license in an active status complete 80 hours of continuing education in the two-year

period immediately preceding license expiration. This section does not provide the clarity necessary related to renewing a license after it has expired.

The proposed action would clearly define the continuing education requirements and time period in which the continuing education must be completed for renewing a license in an expired status.

3. Amend Section 87 of Title 16 of the California Code of Regulations.

Current Section 87 establishes the minimum number of hours and subject area requirements to renew a license in an active status. Presently, no minimum yearly requirement exists for licensees to complete continuing education. In addition, Section 87.7 of Title 16 of the California Code of Regulations requires that licensees renewing a license in an active status complete an eight-hour, Board-approved Professional Conduct and Ethics course.

The proposed action would establish a minimum yearly continuing education completion requirement, designed to ensure minimum competency throughout the renewal period and technical expertise for licensees providing public accounting services.

This proposal would establish a requirement that licensees complete a minimum number of hours in ethics-related subject matter each renewal period to maintain a license in an active status. The Board believes that licensees' increased exposure to ethics education is in the public's interest, and, therefore, is phasing-out the Professional Conduct and Ethics course requirement and establishing a biennial ethics requirement. The proposed action would also eliminate a subsection related to out-of-state licensees, which is no longer applicable since the establishment of the Board's practice privilege requirement in January 2006. Finally, this proposal would make minor wording changes to update and improve the clarity and consistency of the Board's continuing education regulations.

4. Amend Section 87.1 of Title 16 of the California Code of Regulations.

Current Section 87.1 specifies the requirements for converting a license from an inactive status to an active status prior to the next license expiration date. Two specific requirements are that licensees complete 80 hours of continuing education in the 24-month period prior to converting the license to an active status, and completion of a Professional Conduct and Ethics course if more than six years have elapsed since the licensee last completed the course.

This proposal would establish that licensees continue to complete 80 hours of continuing education in the 24-month period prior to converting the license to an active status, however, a specified number of the 80 hours will need to be completed in the one-year period prior to conversion, in addition to highlighting that licensees fulfill the ethics requirement. Additionally, the Professional Conduct and Ethics course requirement will be replaced with a regulatory review course requirement as proposed in Section 87.8. Finally, this proposal would make minor wording changes to update and improve clarity and consistency of the Board's continuing education regulations.

5. Amend Section 87.7 of Title 16 of the California Code of Regulations.

Current Section 87.7 establishes the Board's Professional Conduct and Ethics course requirement. The section establishes the requirement that licensees renewing a license in an active status complete an eight-hour, Board-approved Professional Conduct and Ethics course once every six years. Section 87.7 also establishes the guidelines for course content and the process that potential providers are required to complete in order to have a course approved by the Board.

The Professional Conduct and Ethics course requirement is being phased-out. The Board is proposing increased exposure to ethics education for renewing a license in an active status, in addition to requiring a course more focused on the statutes and regulations governing licensees.

This proposal also establishes the time period during which licensees may continue to complete and report a Professional Conduct and Ethics course in fulfillment of the new ethics education and regulatory review requirements. The proposal also establishes the time period during which existing Board-approved Professional Conduct and Ethics courses can continue to be offered as an approved course to licensees. Finally, the proposal establishes that the Board will no longer approve Professional Conduct and Ethics courses as of the effective date of the regulatory changes.

6. Add Section 87.8 to Title 16 of the California Code of Regulations.

This proposal would add Section 87.8 to Title 16 of the California Code of Regulations and require licensees to complete a course specifically on the California Accountancy Act and California Board of Accountancy Regulations. The course would emphasize the provisions applicable to current practice situations. In addition, the course would cover historic and recent disciplinary actions taken by the Board, highlighting the misconduct which led to licensees being disciplined. The course would be a minimum of two hours, completed every six years, and licensees would be required to select from a list of Board-approved courses.

7. Add Section 87.9 to Title 16 of the California Code of Regulations.

This proposal would establish the approval process for providers seeking to offer a course which may be claimed by a licensee to fulfill the newly proposed requirements in Section 87.8. The proposal outlines the application process, course content requirements, and compliance requirements for potential course providers. In addition, the proposal establishes an appeal process for providers either denied initial approval, or providers whose approval has been discontinued by the Board.

8. Amend Section 88 of Title 16 of the California Code of Regulations.

Current Section 88 outlines programs which qualify as acceptable continuing education. In addition, it establishes technical and non-technical subject areas, and requires that licensees complete a minimum of 50 percent (40 hours) of qualifying continuing education in technical subject areas.

This proposal would add allowable subject areas to the technical requirement, while removing the reference to the Professional Conduct and Ethics course. Specifically, the proposal would add fraud, as well as the newly established ethics education and regulatory review course requirements (defined in amended Section 87 and newly added Section 87.8, respectively) as acceptable technical continuing education. This proposal also would make minor wording changes to update and improve the clarity and consistency of the Board's continuing education regulations.

9. Amend Section 88.1 of Title 16 of the California Code of Regulations.

Current Section 88.1 establishes the provider requirements for live presentation, group Internet-based programs (webcast), and self-study programs. Licensees must ensure that providers of a course meet these minimum requirements in order for the course to qualify as continuing education. As part of the requirements, providers must issue a certificate of completion to each licensee upon satisfactory completion of the course.

This proposal would require that providers place the following information on the certificate of completion: verification by a program provider representative, such as a signature or seal, and delineate the subject areas covered in the course.

10. Amend Section 88.2 of Title 16 of the California Code of Regulations.

Current Section 88.2 establishes the program measurements for courses offered in live presentation, group Internet-based programs (webcast), and self-study programs.

This proposal would specify how program providers must calculate hours for a course to qualify as ethics education described in Section 87(b). In addition, self-study programs requiring a test at the completion of the course must have a passing rate of 90 percent. This proposal also outlines how providers assign continuing education credit for ethics education purposes for those courses comprised of multiple subject areas.

11. Amend Section 89 of Title 16 of the California Code of Regulations.

Current Section 89 establishes the control and reporting requirements for continuing education earned by licensees.

This proposal would amend the minimum requirements for information disclosed on the certificate of completion. Specifically, the proposal would require that verification by a program provider representative, such as a signature or seal, be evidenced on certificates of completion. In addition, the proposal would make minor wording changes to update and improve the clarity and consistency of the Board's continuing education regulations.

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: Insignificant

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code Section 17561 Requires Reimbursement: None

Business Impact:

The Board has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies/relevant data were relied upon in making the above determination: None

Impact on Jobs/New Businesses:

The Board has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The Board is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations may affect small businesses.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulations or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposals described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The Board has prepared an initial statement of reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, in underline and strikeout format to allow for comparison with existing regulations, and all of the information upon which the proposal is based may be accessed on the Board's Web site or obtained upon request from the Contact Person listed on the following page.

AVAILABILITY AND LOCATION OF DOCUMENTS

All the information upon which the proposed regulations are based is contained in the rulemaking file that is available for public inspection by contacting the person named on the following page.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the Contact Person named on the following page or by accessing the Board's Web site at www.dca.ca.gov/cba.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name: Matthew Stanley
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Telephone No.: (916) 561-1792
Fax No.: (916) 263-3678
E-Mail Address: mstanley@cba.ca.gov

The backup contact person is:

Name: Dan Rich
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Telephone No.: (916) 561-1713
Fax No.: (916) 561-3674
E-Mail Address: drich@cba.ca.gov

Future Meetings

March 19-20, 2009

Board / Committee Meetings

Doubletree Hotel Los Angeles Airport
1985 East Grand Avenue
El Segundo, California 90245-5015
(310) 322-0999

April 22, 2009

Qualifications Committee Meeting

Four Points by Sheraton
Los Angeles International Airport
9750 Airport Boulevard
Los Angeles, California 90045
(310) 645-4600

May 7, 2009

Administrative Committee Meeting

The Westin Hotel - LAX
5400 West Century Boulevard
Los Angeles, California 90045
(310) 216-5858

May 14-15, 2009

Board / Committee Meetings

Sacramento, California

July 8, 2009

Qualifications Committee Meeting

Northern California

July 23-24, 2009

Board / Committee Meetings

Los Angeles, California

August 6, 2009

Administrative Committee Meeting

Hilton Sacramento Arden West
2200 Harvard Street
Sacramento, California 95815
(916) 922-4700

September 24-25, 2009

Board / Committee Meetings

San Diego, California

October 21, 2009

Qualifications Committee Meeting

Southern California

November 5, 2009

Administrative Committee Meeting

Southern California

November 19-20, 2009

Board / Committee Meetings

San Francisco, California

Board, committee, and task force meetings are open to the public. Licensees are encouraged to attend. As meeting locations become known, they will be posted on the Board's Web site at www.dca.ca.gov/cba and also are available by telephoning the Board office at (916) 263-3680.

Public notices and agendas are posted to the Board's Web site at least 10 calendar days prior to meetings.

California Board of Accountancy Directory

Board Office - (916) 263-3680
Board Office Fax - (916) 263-3675
License Status Check - (916) 263-3680
Certifications - (916) 561-1701

General Examination Questions

examinfo@cba.ca.gov or (916) 561-1703 or Fax (916) 263-3677 or Fax (916) 614-3253

Initial Licensing - Individual

licensinginfo@cba.ca.gov or (916) 561-1701 or Fax (916) 263-3676

Initial Licensing - Firms Partnerships, Corporations, Fictitious Names

firminfo@cba.ca.gov or (916) 561-1701 or Fax (916) 263-3676

Renewal Licensing - CPA / PA, Partnerships, Corporations, Continuing Education

renewalinfo@cba.ca.gov or (916) 561-1702 or Fax (916) 263-3672

Practice Privilege Program

pracprivinfo@cba.ca.gov or (916) 561-1704 or Fax (916) 263-3672

Client Services Unit

clientservices@cba.ca.gov or (916) 561-1705 or Fax (916) 263-3968

Enforcement Information - Filing a Complaint, Enforcement Actions

enforcementinfo@cba.ca.gov or (916) 561-1729 or Fax (916) 263-3673

Address Service Requested

Department of Consumer Affairs
California Board of Accountancy
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Sacramento, California 95815-3832
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